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2 Your lack of respect for this
3 Board may have profoundly and irrevocably
4 affected the way citizens of this State
5 and some other decision-makers view you
6 and I am sorry for that. But, we are here
7 today after an accelerated analysis and
8 concentrated evaluation of your filings
9 and the filings of other participants to
10 render a decision. A decision that we
11 must render today. But it may not be the
12 clear-cut decision that you hoped for.
13 But you are going to get a decision and a
14 decision that you have basically forced us
15 to render today.

16 In my mind, there are three
17 components to this decision. Number 1 is
18 the 14-point checklist and as eloquently
19 described by Director Centrella, you do
20 comply technically with that 14-point
21 checklist.

22 Checklist Item 2, the option, the
23 checklist item that refers to availability
24 of unbundled work elements, which is at
25 the heart of the competition. We

discussed, my colleague and I have both commented on the fact that the rates are in place, but the rates still could be challenged and we have said that we are conditioning our approval based on the continuation and effect of those rates.

What gives me some level of comfort in this discussion of competition is that we have created an environment, a structure that will promote competition if everyone respects the rules.

If Verizon as well as the CLECs respect the rules, Verizon will be implementing the UNE rate and treating these CLECs as the law required. And the CLECs by entering the market, despite the long distance competition that this might precipitate.

I am persuaded by the evidence, frankly, and those other states, some of which Director Centrella cited and I have looked at the data from six or eight of the states, and my analysis indicates that in the six months before and the twelve

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1 months after 271 approval, in those
2 states, on average, the CLECs gained a
3 percent a month of the local market. On
4 average a percent a month.
5

6 In some places it was 2 1/2
7 percent, and some places it was a half a
8 percent and, on average, it came out to a
9 percent a month the local market gained by
10 the CLECs in those states in the ramp-up
11 of six months to 271 approval and 12
12 months afterwards. I say it is time to
13 start the clock. And I think we could do
14 that by our actions today.

15 Point No. 2 which I am going to
16 subtitle, yes, Verizon, there is a public
17 interest and we are going to comment on
18 the public interest. It is our duty to
19 comment on the public interest. It is our
20 responsibility to comment on the public
21 interest.

22 Now that having been said, the
23 public interest is frankly in the eye of
24 the beholder. I've concluded that the
25 long distance competition and 271 approval

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by the FCC will bring about a benefit to the public, both at the long-distance rate level and in its inceniting local competition, and with also the rate savings that our customers will enjoy. That has been the experience in all the other states and in any states and in any examples.

And I firmly believe that no one invented behavior. That behavior is repetitive and almost not predictable but sort of explicative by other behavior. We're going to see in this state what it has been observed in the other states.

The third factor, I will conclude my remarks soon thereafter, the third factor is this idea of delay which is called for by some of the participants in the case.

Let's wait and see what happens in the next six months. There is no incentive for anything to change in the next six months. The incentive is for this to move forward now and that they --

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1 that the behavior will react accordingly.
2 To delay it to my way of thinking will
3 accomplish nothing positive and will deny
4 the citizens of this state the benefits of
5 long-distance competition-based savings
6 and the investable benefits of increased
7 local competition and in the local market.
8

9 I do not consider delay a viable
10 option. We have talked about the caveats.
11 We talked about the conditions that we
12 believe need to be in place. I am going
13 to strengthen that by saying that I
14 personally will be in contact with the FCC
15 if anything changes between now and the 45
16 days more that they have.

17 MR. CENTRELLA: 45 to March 20th,
18 you mean?

19 COMMISSIONER BUTLER: Yes.

20 Whether it is 60-some-odd days or
21 45 days. If there is any change, I will
22 personally contact the FCC and indicate to
23 them my vote cast today is null and void,
24 in my mind, by the changes that take
25 place. I hope that no changes do take

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2 place and I hope we tied up the wording of
3 our -- our wording so that it is clear.

4 One other thing, let me remind
5 Verizon and any CLECs that we will
6 continue to regulate the local market that
7 we have another case called the PAR II
8 case that is not yet been decided and that
9 -- once that is decided, we are still
10 going to be regulating the local market
11 and the behavior of -- behavior of all
12 market participants including Verizon.

13 This chapter in the evolution of
14 the Telecom sector in the State of New
15 Jersey is far from over. Not by -- it is
16 not over by a long shot.

17 So I thank you for your indulgence
18 and that's -- that concludes my remarks.

19 PRESIDENT HUGHES: Vote?

20 MR. PROVOST: Commissioners,
21 before you vote, I would just like to add
22 -- make one point, with regard to the
23 condition that Verizon provide evidence
24 that it is charging the rates that the
25 Board has decided. The recommendation is

January 10, 2002

Via Hand Delivery

Henry Ogden, Esq.
Acting Secretary
New Jersey Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

**Re: In the Matter of the Consultative Report on the Application of
Verizon New Jersey Inc. for FCC Authorization to Provide In-Region,
InterLATA Service in New Jersey
Docket No. TO01090541**

Dear Acting Secretary Ogden:

In the Board's letter dated January 9, 2002, in the above-referenced matter, the Board requested confirmation that the unbundled network element (UNE) rates specified in the Board's order of December 17, 2001 in Docket No. TO00060536, have been implemented. As an officer of Verizon New Jersey Inc., I am able to make the following attestation, on behalf of the corporation.

Verizon NJ is working on an expedited basis to implement the system changes required for the new UNE rates. The necessary changes to the billing systems will be completed on January 20, 2002. As certified in Verizon NJ's electronic notification to CLECs (on December 21, 2001), the new UNE rates became effective on December 17, 2001. Due to the expedited timeline that makes the rates effective before all system changes can be completed, implementation and handling of these billing changes will vary based on the rate classification, *i.e.*, Monthly recurring rate, Non-recurring rate, or Usage, and whether the product is billed using CRIS or CABS. The attached template provides a summary of the transitional billing treatment for each rate classification in each billing system.

Billing is a cycle-driven process, and certain of the charge changes, although effective as of December 17, 2001, will likely not be reflected until the first or second bill after the software implementation is completed. For that reason, Verizon New Jersey Inc. commits to provide the Board an actual copy of a CLEC bill that reflects an illustrative example of the new UNE rates for each rate type (Monthly recurring, Non-recurring, Usage, as appropriate in CRIS and CABS) within ten business days of its bills first

reflecting the new UNE rates and the credits utilized to reflect an effective date of December 17, 2001.

Broad changes to the billing rate structure require extensive software reprogramming, and Verizon New Jersey Inc. recognizes that, despite our best efforts, errors or omissions in the updating process are possible. Additionally, Verizon New Jersey Inc. notes that certain discrete categories of charge changes, involving end-users or services that are terminated or disconnected between the effective date of December 17, 2001, and the implementation date of the subject changes, may be especially difficult to capture in the updating process. Verizon New Jersey Inc., therefore, also commits to work cooperatively with such competitive local exchange carriers as may have questions or concerns regarding line-item entries on their bills and to report to the Board regarding both the extent of such questions and concerns, and the remedies effected to resolve same.

We trust this correspondence is responsive to the Board's condition as expressed in its letter of January 9, 2002, but please feel free to contact the undersigned should further information be necessary.

Respectfully submitted,

Bruce D. Cohen

BDC:dmp

cc: Service List (via e-mail & regular mail)



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Ratepayer Advocate

PRESS RELEASE

For Immediate Release
Tuesday, November 20, 2001

Contact: Thomas Rosenthal
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Ratepayer Advocate Applauds BPU For Lowering Rates Verizon Charges Competitors *Hopeful Competition Will Now Come To New Jersey's Local Telephone Market*

Newark, NJ, July 13, 2001 – Ratepayer Advocate Blossom A. Peretz said that she was pleased the state Board of Public Utilities substantially lowered the rate Verizon New Jersey Inc. charges competitors to use its lines to offer consumers local phone service.

"I am hopeful that now that we have cleared this major impediment, competition will finally come to New Jersey's local exchange market," Ms. Peretz said after the BPU's unanimous vote to lower the wholesale rate Verizon charges competitors from \$16.21 to \$9.52 per line per month for Unbundled Network Elements (UNEs), which are the individual components that comprise a telecommunications network

The Division of the Ratepayer Advocate filed a brief with the BPU on June 18 urging the Board to reduce the wholesale UNE rate to under \$10 per line per month from the \$16.21 price the BPU set in 1997. Following a challenge brought by the Ratepayer Advocate and others, a federal judge a year ago struck down the \$16.21 fee as having been set in an arbitrary and capricious manner and sent the matter back to the BPU for rehearing. The \$9.52 rate set today was the result of lengthy hearings.

"The next step is to see whether this new UNE rate actually works and serves as an incentive to telephone companies to come to New Jersey to offer local service in competition to Verizon's near monopoly," said Ms. Peretz. "We should know by next spring whether we will have irreversible competition in the local telephone market."

The Division of the Ratepayer Advocate represents the interests of all electric, natural gas, water/wastewater and telecommunications consumers--residential, small business, commercial and industrial. The Ratepayer Advocate is a party in every proceeding in which New Jersey businesses and utilities seek changes in rates or services. The Ratepayer Advocate also participates on behalf of consumers in setting long-range energy, water and telecommunications policies that affects their delivery and costs of these services. *The Division of Ratepayer Advocate's website is www.rpa.state.nj.us.*

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MS. PERETZ: Good morning.

COMMISSIONER BUTLER: Ms. Peretz?

MS. PERETZ: Good morning,
Commissioner Hughes, Commissioner Butler,
Commissioner Murphy, and DAG Gene Provost
and the large number of people that have
come here today to hear about Verizon-New
Jersey.

Do any of you have my marked-up
copy?

COMMISSIONER BUTLER: No.

MS. PERETZ: Here it is, I'm
sorry. I have it.

I marked up my copy in response to
what Mr. Bone was saying.

I'm pleased and thank you for the
opportunity for giving the Ratepayer
Advocate this opportunity to appear at the
Board of Public Utilities public hearing
on Verizon-New Jersey's proposed new plan
for an alternative form of regulation and
it's proposal to reclassify all multi-line
rate regulated business services as
competitive.

Public participation is critical to formulating good public policy. As you know, the Ratepayer Advocate represents the interest of all classes of ratepayers, residential, small business and large industrial customers.

We also have special concern for low income ratepayers and senior citizens, especially for telecommunications service, a Lifeline service for these constituencies.

Last year, as you know, Verizon submitted and subsequently withdrew a modified plan for alternative regulation. We are now faced with a new plan known as PAR-II, which was submitted earlier this year.

Put very simply, the Division of the Ratepayer Advocate, maintains that Verizon's new plan does not adequately provide ratepayer benefits to either the residential or business customers.

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2 MS. PERETZ; If you may recall, it
3 was on February 8, 1996, President Bill
4 Clinton signed the Telecommunications Act
5 of 1996 announcing "We will help to create
6 an open marketplace where competition and
7 innovation can move quick as light."

8 Five years later, New Jersey
9 consumers are still waiting competition
10 and innovation. All efforts to date to
11 facilitate the development of that
12 competition in New Jersey's local
13 telephone exchange market have prove
14 futile.

15 Verizon's competitors have
16 captured only a small and insignificant
17 fraction of the local exchange market.
18 Right now, here in New Jersey, Ratepayers
19 have no choice. I ask those today who are
20 here to testify, I'm going to stand up and
21 ask them; how many times has your dinner
22 been interrupted with a sales call from an
23 alternative provider for local telephone
24 service?

25 How many of you here today buy

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2 local service from a company other than
3 Verizon New Jersey? How many of you
4 receive a monthly bill for only \$8.19?
5 How many of you would save money if all of
6 your calls within the county were included
7 in your \$8.19 basic charge?

8 That would mean no toll calls
9 outside of your county.

10 The local New Jersey telephone
11 market remains a Verizon monopoly. While
12 competition is developing in our
13 neighboring state of New York - - with
14 competition capturing 20 percent of the
15 local marketplace, even in New York where
16 the local marketplace is open to
17 competition, most of those beneficiaries
18 are the corporate business world and not
19 the residential or small business
20 customers.

21 So what's a regulator to do?
22 Should we be tweaking a ten year old
23 alternative regulation plan, or should we
24 be looking for new directions and new
25 incentives bringing competitors to the

marketplace?

The Ratepayer Advocate's recommendation is to reject the Verizon proposal and adopt the Ratepayer Advocate proposal as the template for action, to create a road map for competition with choice for all classes of consumers, including opportunities for affordable technology.

Let's first quickly discuss the Verizon New Jersey proposal;

(1) Even though Verizon does not propose changing it's \$8.19 monthly rate for basic residential service, the company in it's proposal does not state how long that rate will remain in effect.

There is no commitment, promise or guarantee to maintain the current rate for basic residential telephone service. We are recommending that Verizon's basic service rate of \$8.19 a month remain in effect for five years.

(2) Verizon seeks to reclassify two or more business lines as competitive.

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2 We need to be clear about what that means.
3 If Verizon's petition is approved, rates
4 for all business customers with more than
5 one line are at risk the next day
6 following approval.

7 Two business lines could mean a
8 Mom and Pop grocery store with one
9 telephone line, an second line for credit
10 cards or for a fax machine or a lottery
11 machine. We recommend that the Board
12 reject Verizon's request because it has
13 not submitted sufficient evidence to
14 demonstrate the existence of competition
15 for these business services.

16 That's because New Jersey, as yet,
17 does not have a competitive marketplace.
18 In the absence of competition for these
19 services, Verizon would be free to operate
20 as an unregulated monopoly, free to raise
21 rates. Small businesses in our state,
22 many of which work on narrow margins,
23 would be severely impacted.

24 (3) Verizon's plan does not
25 address how it plans to distribute it's

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2 accumulation of over-earnings and merger
3 savings. Our analysis has identified over
4 25 million dollars in over earnings and
5 merger savings resulting from the mergers
6 of Verizon New Jersey's parent company
7 with GTE and NYNEX.

8 Our position is that these over
9 earnings and merger savings must be shared
10 with ratepayers. The BPU has taken this
11 position in all recent merger cases and
12 should not depart from that policy here.

13 I refer to the very recent
14 Rockland Electric merger case, the
15 Conectiv merger case, and we still have
16 the GPU/FirstEnergy merger case to come
17 before the Board, and I cannot talk about
18 that at this time, but merger savings is
19 clearly an issue in all cases before the
20 Board.

21 In our testimony filed in this
22 case, the Division of Ratepayer Advocate
23 is proposing an alternative plan that
24 properly balances the interests of Verizon
25 New Jersey's shareholders with benefits

1
2 for New Jersey local telephone consumers,
3 while ensuring a smooth transition to our
4 common goal of a competitive marketplace.

5 That is our goal. We would like
6 to see Verizon enter the long distance
7 telephone market while it's competitors,
8 AT&T, MCI WorldCom, Sprint, and many small
9 start-up companies enter the local
10 telephone market.

Please allow me to provide you with the highlights of our plan.

(1) With the goal of bringing true competition to New Jersey's telecommunications market, we are asking the BPU to impose a separation of the Verizon operations.

In that way, Verizon's wholesale operations would interact with the retail operation as if it were any other unaffiliated company seeking to provide local telephone service. Under our proposal, structural separation could be implemented by means of an actual separation of the wholesale and retail operations, or it could be implemented through stringent accounting safeguards and a strict "Code of Conduct" that would be enforced by the Board with severe financial penalties.

A Code of Conduct is critical to promoting effective competition in the local exchange marketplace. Additionally, the Code of Conduct would contain

1 competitive safeguards and consumer
2 protections that would provide a clear
3 distinction between the activities of
4 Verizon as the incumbent local service
5 provider and those of any other Verizon
6 affiliate that competes with other
7 competitive local exchange carriers.
8

9 That proposal is the underpinning
10 for the level playing field and our
11 ability to successfully achieve a truly
12 competitive local telecommunications
13 market in our state, bringing to consumers
14 more choice in price, advanced services,
15 improved quality of services, and all the
16 rest of the benefits that competition
17 brings to market.

18 Again, over the last nine years,
19 competition has not materialized and will
20 not unless aggressive steps are taken to
21 end the monopoly over local service.

22 The plan proposed by the Ratepayer
23 Advocate provides the road map required to
24 achieve that goal.

25 I would like to refer these

Commissioners to the recent Electric Discount and Energy Competition Act, which does provide for separation and does provide for exactly the kind of virtual separation that we are talking about or actual separation.

Just very quickly, and I've listed the citations here in my statements, I would like to just read a few lines from EDECA which talks about that the Board could order an electric public utility for it's related competitive business segment to cease the offering of a competitive service, functionally separate or structurally separate it's competitive services offering from non-competitive business.

That's in EDECA.

So clearly there is Board mandate to do that.

EDECA also talks about the Board shall adopt by rule, as they've done this, regulation and order such fair competition standards, affiliate relation standards,

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2 accounting standards, and reporting as are
3 necessary to ensure the gas public
4 utilities or the related competitive
5 business segments do not enjoy an unfair
6 competitive advantage over other non-
7 affiliated purveyors of competitive
8 services.

9 There's much more language in
10 EDECA that can go to the issue of
11 separation, both either structural
12 separation, virtual or actual separation.

13 The second part of the Ratepayer
14 Advocate plan is that we all know that
15 intraLATA toll call charges are a hefty
16 part of each local telephone bill. New
17 Jersey suffers from some of the smallest
18 calling areas.

19 We know that calling Grandma two
20 towns over in the same county is a
21 regional toll call in many areas.

22 Our plan proposes consolidating
23 the state's 180 rate centers into 21
24 rating areas that roughly conform to
25 county boundaries.

1
2 The inclusion of additional
3 exchanges in local calling areas would
4 result in consumers paying for fewer in-
5 state toll calls, because these calls
6 would then be included in basic service.

7 The real pocketbook benefit to
8 ratepayers comes in the form of toll
9 charge savings. We propose using some of
10 the 175 million dollars of Verizon over-
11 earnings and on-going merger savings to
12 finance the expansion of local calling
13 areas. This would reduce high toll call
14 charges on monthly bills for New Jersey
15 consumers.

16 We believe that reducing the
17 number of local calling areas would also
18 conserve telephone numbers, thereby
19 reducing the need for new area codes in
20 the future. It would also simplify toll
21 charges.

22 Drawing local calling areas to
23 match our state's clearly defined 21
24 counties will make it easier for consumers
25 to understand the cost of an in-state